



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE
AUDITOR-CONTROLLER

MARIA M. OMS
CHIEF DEPUTY

ASST. AUDITOR-CONTROLLERS

ROBERT A. DAVIS
JOHN NAIMO
JUDI E. THOMAS

December 17, 2010

TO: Supervisor Michael D. Antonovich, Mayor
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

FROM: Wendy L. Watanabe *Wendy L. Watanabe*
Auditor-Controller

SUBJECT: **CATHOLIC CHARITIES OF LOS ANGELES, INC. CONTRACT REVIEW
– A COMMUNITY AND SENIOR SERVICES WORKFORCE
INVESTMENT ACT PROGRAM PROVIDER – FISCAL YEAR 2009-10**

We completed a program, fiscal and administrative contract compliance review of Catholic Charities of Los Angeles, Inc., dba Archdiocesan Youth Employment Services, (Catholic Charities or Agency), a Community and Senior Services (CSS) Workforce Investment Act (WIA) Formula and American Recovery and Reinvestment Act (ARRA) Programs provider.

The WIA Formula Youth Program is a comprehensive training and employment program for in-school and out-of-school youth ages 14 - 21 years old. The WIA ARRA Youth Program supplements the WIA Formula Youth Program and extends the eligible age of youth participants to 24. Catholic Charities' office serves participants residing in the First, Second, Third and Fifth Districts. Catholic Charities is compensated on a cost-reimbursement basis and has contracts totaling \$1,771,875 (\$1,430,346 for Formula and \$341,529 for ARRA) for Fiscal Year (FY) 2009-10.

Results of Review

Catholic Charities provided the required program services to eligible participants and maintained sufficient internal controls over its business operations. However, Catholic Charities billed CSS \$46,899 in questioned costs. Subsequent to our review, Catholic

Charities provided documentation to support \$30,761 of the expenditures resulting in total questioned costs of \$16,138 (\$46,899 - \$30,761). Specifically, Catholic Charities:

- Did not maintain adequate documentation to support \$12,951 in payments made to four subcontractors during FY 2009-10.

Catholic Charities' attached response indicates that they provided additional documentation to support the expenditures in question. Catholic Charities provided additional documentation subsequent to our review that reduced the questioned costs from \$40,833 to \$12,951.

- Billed CSS \$2,579 in FY 2008-09 for program expenditures incurred in FY 2009-10.

Catholic Charities' attached response indicates that the \$2,579 in questioned costs are valid 2008-09 costs. However, \$2,403 of the \$2,579 related to the cost of an independent audit of Catholic Charities' subcontractors. According to the agreement with the audit firm and the invoices they submitted, the audit was started and completed in FY 2009-10. As such, these expenditures should have been billed in FY 2009-10.

In addition, Catholic Charities' response indicates that the remaining \$175 was for support services, specifically, incentive gift cards that were given to seven WIA participants. The gift cards were given to their coordinator in June 2009, but according to Agency records, two participants received their gift cards in September 2009, three participants received the gift cards in August 2009 and the remaining two participants received their gift cards in July 2010. In addition, Catholic Charities did not provide other documentation to support that these incentive gift cards were earned in FY 2008-09. As such, the expenditures should have been billed in FY 2009-10.

- Did not maintain adequate documentation to support FY 2008-09 program expenditures totaling \$738. Subsequent to our review, Catholic Charities provided additional documentation to support \$225 of the expenditures resulting in questioned costs totaling \$513 (\$738 - \$225).

Catholic Charities' attached response indicates that the \$738 relates to the audit of their subcontractors which is a valid expenditure. However, Catholic Charities did not provide documentation to support the remaining \$513 questioned.

- Billed CSS for staff lunches in FY 2008-09 which is unallowable. The disallowed costs totaled \$95.

Catholic Charities' attached response indicates that the \$95 was to pay for meals for employees who traveled over 160 miles round trip. Catholic Charities indicated that

meals are allowable under OMB Circular A-122 Section 13 relating to employee morale and Section 29 relating to meetings and conferences.

However, according to 41 Code of Federal Regulations (CFR) 301.11-1, meals are allowable if the employee is performing official travel away from their official work station and they travel for more than 12 hours.

The Agencies costs for employees' meals are unallowable because the expenditures were for lunches after half day meetings which did not take more than 12 hours.

- Catholic Charities did not regularly monitor their worksites as required by the Agency's Worksite Monitoring Plans and Procedures manual. Specifically, Catholic Charities did not monitor all five (100%) worksites sampled every two weeks as required.

Catholic Charities' attached response indicates that their independent monitoring involves conducting payroll audits and monitoring every two weeks. However, Catholic Charities did not provide documentation to support that the payroll audits and/or monitoring of the five (100%) worksites were conducted every two weeks as required by the Agency's monitoring policies and procedures manual.

Similar findings were also noted during the prior years' monitoring reviews.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with Catholic Charities and CSS on May 20, 2010. As previously indicated, Catholic Charities did not concur with a number of our findings and recommendations. CSS management indicated that they will address the findings in accordance with its Resolution Procedures Directive. CSS will request that the contractor provide a Corrective Action Plan (CAP) explaining how it will address the outstanding findings and/or questioned costs. CSS staff will review the CAP and work with the agency to resolve all findings/questioned costs. In addition, CSS will provide technical assistance on an as-needed basis to address programmatic issues.

We thank Catholic Charities and CSS for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:EB

Attachment

- c: William T Fujioka, Chief Executive Officer
- Cynthia D. Banks, Director, Community and Senior Services
- Rev. Monsignor Gregory A. Cox, Executive Director, Catholic Charities of Los Angeles, Inc. dba Archdiocesan Youth Employment Services
- Cardinal Roger M. Mahony, Chairman, Catholic Charities of Los Angeles, Inc. dba Archdiocesan Youth Employment Services
- Public Information Office
- Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAMS
CATHOLIC CHARITIES OF LOS ANGELES, INC.
FISCAL YEAR 2009-10**

BACKGROUND/PURPOSE

CSS contracts with Catholic Charities of Los Angeles, Inc., dba Archdiocesan Youth Employment Services, (Catholic Charities or Agency), a private non-profit agency to provide and operate the Workforce Investment Act (WIA) Formula and American Recovery and Reinvestment Act (ARRA) Youth Programs. The WIA Formula Youth Program is a comprehensive training and employment program for in-school and out-of-school youth ages 14 - 21 years old. The WIA ARRA Youth Program supplements the WIA Formula Youth Program and extends the eligible age of youth participants to 24. Catholic Charities' office serves participants residing in the First, Second, Third and Fifth Districts.

The purpose of our review was to determine whether Catholic Charities complied with its contract terms and appropriately accounted for and spent WIA funds in providing the services. We interviewed Agency staff and evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines.

ELIGIBILITY

Objective

Determine whether Catholic Charities provided services to individuals that meet the eligibility requirements of the WIA Formula and ARRA Programs.

Verification

We reviewed the case files for 25 (13%) (20 Formula youth and five ARRA youth) of the 193 participants that received services from July through December 2009 for documentation to confirm their eligibility for WIA services.

Results

Catholic Charities maintained appropriate documentation to support the eligibility for the 25 participants sampled.

Recommendation

None.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

Verification

We reviewed the documentation contained in 25 (13%) participants case files that received services from July through December 2009.

Results

Catholic Charities provided the services in accordance with the County contract and WIA guidelines.

Recommendation

None.

CASH/REVENUE

Objective

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's bank activity for October, November and December 2009.

Results

Catholic Charities maintained adequate controls to ensure that cash, liquid assets and revenue were properly recorded and deposited in a timely manner.

Recommendation

None.

COST ALLOCATION PLAN**Objective**

Determine whether Catholic Charities' Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the Plan to appropriately allocate shared program expenditures.

Verification

We reviewed the Cost Allocation Plan and a sample of expenditures incurred by the Agency in August and November 2009 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

Catholic Charities' Cost Allocation Plan was prepared in compliance with the County contract and costs were appropriately allocated.

Recommendation

None.

EXPENDITURES/PROCUREMENT**Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation to support 30 non-payroll expenditure transactions billed by the Agency for August and November 2009, totaling \$71,271.

Results

Catholic Charities billed CSS \$12,951 (\$12,651 + \$300) in questioned costs. Specifically, Catholic Charities:

- Did not maintain adequate documentation, such as original invoices, subcontract agreements and cancelled checks, to support \$40,833 in payments made to four subcontractors. Subsequent to our review, Catholic Charities provided copies of invoices and cancelled checks to support \$23,182 of the \$40,833 in questioned costs. In addition, Catholic Charities reduced their May 2010 billings to CSS an

additional \$5,000. The remaining question costs total \$12,651 (\$40,833-\$23,182-\$5,000).

- Billed CSS \$1,350 in Fiscal Year (FY) 2009-10 for Training Account (ITA) expenditures incurred in FY 2008-09. Subsequent to our review, Catholic Charities credited CSS for the \$1,350 in their January 2010 invoice.
- Billed CSS \$1,304 in non-WIA related program expenditures. Subsequent to our review, Catholic Charities credited CSS \$1,004 of the \$1,304 in questioned costs in the subsequent month's billing. The remaining questioned costs totaled \$300.

Similar findings were also noted during the prior years' monitoring reviews.

Recommendations

Catholic Charities management:

1. **Repay CSS \$12,951 or provide documentation to support the program expenditures.**
2. **Maintain adequate documentation to support program expenditures.**
3. **Ensure expenditures charged to the WIA Programs are for costs incurred by the program and during the contract period.**

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE

Objective

Determine whether the Agency maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various areas such as expenditures, payroll and personnel.

Results

Catholic Charities maintained sufficient internal controls over its business operations. However, Catholic Charities did not regularly monitor their worksites as required by the Agency's worksite monitoring plans and procedures manual. Specifically, Catholic Charities did not monitor the five (100%) worksites sampled in accordance with their

monitoring plans. A similar finding was also noted during our review of the WIA Summer Youth Employment Program.

Subsequent to our review, Catholic Charities provided documentation that they claimed supported compliance with their monitoring policy. However, the documentation was completed "Training Site Interview Forms" for two of the five worksites; one dated August 5, 2009, and the other dated December 12, 2009. The documentation did not support that Catholic Charities had monitored all five worksites every two weeks in accordance with their monitoring policy.

Recommendation

- 4. Catholic Charities management monitor the worksites every two weeks as required by the Agency's Worksite Monitoring Plan and Procedures manual.**

FIXED ASSETS AND EQUIPMENT

The objective of this section is to determine whether the Agency's fixed assets and equipment purchases made with WIA funds are used for the WIA Programs and are safeguarded.

We did not perform test work in this section, as Catholic Charities did not use WIA funds to purchase fixed assets or equipment.

Recommendation

None.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll expenditures were appropriately charged to the WIA Programs. In addition, determine whether the Agency verified employability and maintained current driver's licenses and proof of automobile insurances for the employees assigned to the WIA Programs.

Verification

We traced the payroll expenditures invoiced for five employees and five participants totaling \$12,046 for November 2009 to the Agency's payroll records and time reports. We also reviewed the personnel files for five employees assigned to the WIA Programs.

Results

Catholic Charities appropriately charged payroll expenditures to the WIA Programs and the personnel files were maintained as required.

Recommendation

None.

CLOSE-OUT REVIEW**Objective**

Determine whether the Agency's FY 2008-09 final close-out invoice for the WIA Formula Youth Program reconciled to the Agency's accounting records. Catholic Charities did not have a WIA ARRA Youth Program contract for FY 2008-09.

Verification

We traced Catholic Charities' FY 2008-09 accounting records to the Agency's final close-out invoice for FY 2008-09. We also reviewed a sample of expenditures incurred in April, May and June 2009.

Results

Catholic Charities' FY 2008-09 accounting records reconciled to the Agency's FY 2008-09 final close-out invoice. However, Catholic Charities billed CSS \$3,187 (\$2,579 + \$513 + \$95) in questioned costs. Specifically, Catholic Charities:

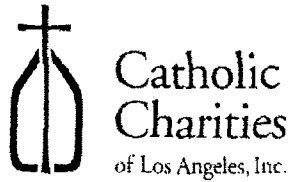
- Billed CSS \$2,579 during FY 2008-09 for expenditures incurred in FY 2009-10 program expenditures.
- Did not maintain adequate documentation, such as invoices and cancelled checks, to support \$738 in program expenditures. Subsequent to our review, Catholic Charities provided additional documentation to support \$225 of the costs resulting in \$513 (\$738 - \$225) in questioned costs.
- Billed CSS \$95 for staff lunches, which are unallowable per Section 14 of the OMB Circular A-122.

Recommendations

Catholic Charities management:

Refer to Recommendations 2 and 3.

5. Repay CSS \$3,187 or provide documentation to support the program expenditures.



Cardinal Roger M. Mahony
Chairman of the Board

Reverend Monsignor Gregory A. Cox
Executive Director

1531 James M. Wood Boulevard
P.O. Box 15095
Los Angeles, CA 90015-0095
Tel: (213) 251-3400
Fax: (213) 380-9603
www.CatholicCharitiesLA.org

June 25, 2010

Wendy L. Watanabe, Auditor-Controller
Department of Auditor-Controller
Countywide Contract Monitoring Division
350 S. Figueroa Street, 8th Floor
Los Angeles, CA 90071
Attention: Yoon Bae

Response by Catholic Charities to the Contract Review-A Community and Senior
Services Workforce Investment Act Program Provider-Fiscal Year 2009-10

Dear Ms. Watanabe,

Attached is the response by Catholic Charities of Los Angeles, Inc., dba Archdiocesan
Youth Employment Services, to the above contract review. For clarity purposes, we will
show the review areas in capital letters and restate the results and the recommendations,
followed by our response.

We wish to thank you and your staff for the professional manner in which this review
was conducted. If you have any questions, please contact me at the number below.

Sincerely,

A handwritten signature in cursive script, reading "David I. Furukawa".

David I. Furukawa
Assistant Controller
(213) 251-3466



Response to Contract Review/CAP FY 2009-10

2 of 5

ELIGIBILITY

Results: Catholic Charities maintained appropriate documentation to support the eligibility for the 25 participants sampled.

Recommendation--None

BILLED SERVICES/CLIENT VERIFICATION

Results: Catholic Charities provided the services in accordance with the County contract and WIA guidelines.

Recommendation—None

CASH/REVENUE

Results: Catholic Charities maintained adequate controls to ensure that cash, liquid assets and revenue were properly recorded and deposited in a timely manner.

Recommendations—None

COST ALLOCATION PLAN

Results: Catholic Charities' Cost allocation Plan was prepared in compliance with the County contract and costs were appropriately allocated.

Recommendation—None

EXPENDITURES/PROCUREMENT

Results: Catholic Charities billed CSS \$43,487 in questioned costs. (Note that \$24,186 has been cleared, leaving \$19,301 to be resolved.)

Recommendations—that Catholic Charities:

1. Repay CSS \$19,301 (\$43,487-23,182-1,004) or provide documentation to support the program expenditures.
2. Maintain adequate documentation to support the program expenditures.
3. Ensure expenditures charged to the WIA Programs are for costs incurred by the program and during the contract period.

Response:

Please see Attachment #1 which is a reconciliation and status of the \$43,487 in questioned cost. Included also are documents supporting the items on the summary:

Response to Contract Review/CAP FY 2009-10

3 of 5

Item 1 represents the subcontract payment to Roy Roberts in the amount of \$2,322. The supporting documents are attached as Attachment #6.

Item 2 represents adjustments to our subcontractor costs in the amount of \$10,328 that was recorded in our General Ledger Journal entry GJ-18997, a copy of which is included in Attachment #2.

Item 3 represents the \$1,350 adjustment for the six WIA participants that was recorded in January 2010. This adjustment was reflected in the January 2010 invoice. The General Ledger and the January 2010 invoice are included as Attachment #8.

Item 4 represents a \$5,000 adjustment in April that was reflected in the May 2010 invoice. See Attachment #9.

Item 5 represent costs related to _____, who was co-enrolled as an adult by our subcontractor, without our knowledge. As a result they were allowed by the JTA system to independently append their adult activities to our already entered youth activities. The JTA system also allowed our subcontractor to write over our agency code, changing it to their 201 Adult Grant Code.

This Grant Code change from 301 to 201 in JTA seems to be the basis for the \$300 questioned costs. The JTA system allowed the subcontractor to exit the client under their agency and grant codes. This problem was only identified after we tried to exit the client and found that her record was already closed. We are in the process of resolving this with the subcontractor.

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE

Results: Generally, Catholic Charities maintained sufficient internal controls over its business operations. However, Catholic Charities did not regularly monitor their worksites as required by the agency's worksite monitoring plans and procedures manual. Specifically, Catholic Charities did not monitor the five (100%) worksites sampled every two weeks as required.

Recommendation:

4. Catholic Charities' management monitor the worksites every two weeks as required by the Agency's Worksite Monitoring Plan and Procedures manual.

Response: Our independent monitoring involves conducting payroll audits and monitoring every two weeks; however, this was misinterpreted by the County auditor to mean we conduct a 100% monitoring every two weeks, this is not the case.

FIXED ASSETS AND EQUIPMENT

No results or recommendations.

Response to Contract Review/CAP FY 2009-10

4 of 5

PAYROLL AND PERSONNEL

Results: Catholic Charities appropriately charged payroll expenditures to the WIA Programs and the personnel files were maintained as required.

Recommendation: None

CLOSE-OUT REVIEW

Results: Catholic Charities' FY 2008-09 accounting records reconciled to the Agency's FY 2008-09 final close-out invoice. However, Catholic Charities billed CSS \$3,412 in questioned costs. Specifically, Catholic Charities:

- Billed CSS \$2,579 in FY 2009-10 program expenditures during FY 2008-09. Subsequent to our review, Catholic Charities provided additional documentation. However, the documentation provided did not resolve the questioned costs since the expenditures were incurred in FY 2009-2010.
- Did not maintain adequate documentation, such as invoices and cancelled check, to support program expenditures. Questioned cost totaled \$738. Subsequent to our review, Catholic Charities provided additional documentation. However, the documentation did not adequately support the program expenditures. Specifically, the cancelled checks were not provided to the support the program expenditures.
- Billed CSS for staff lunches, which is unallowable per Section 14 of the OMB Circular A-122. Questioned cost totaled \$95.

Recommendation:

Catholic Charities management:

Refer to Recommendations 2 and 3.

5. Repay CSS \$3,412 or provide documentation to support the program expenditures.

Response:

The \$2,579 of questioned costs is a valid 2008-09 cost. Of the \$2,579, \$2,403 relate to the cost of our independent audit of our subcontractors by Harrington Group. The monitoring they do for us is to satisfy requirements of the contract. All the monitoring visits were performed prior to June 30, 2009. Our engagement letter did not require the final report until after year end. All the work performed was for the contract year ending June 30, 2009. Consequently, the costs were properly charged to FY 2008-09.

Response to Contract Review/CAP FY 2009-10

5 of 5

The balance of the cost of \$175 was support services-incentives gift cards that were given to seven WIA participants. The gift cards given to their coordinator in June 2009, but the clients did not receive them until after June 30, 2009. See Attachment #10 for copy of the pick up receipt from the coordinator. These are valid 2008-09 charges.

Regarding the \$738, \$288 relates to the Harrington monitoring charges. We maintain that the \$288 is a valid 2008-09 charge (see comments above regarding the \$2,579 in costs). The balance of \$450 represents support services-participant education costs for . . . Originally the vendor was supposed to bill us \$450 for . . . They had prepared invoice # 1458, but then advised us that they were going to combine this charge with invoice # 1461. However, to an error, \$225 of the fee was never billed to us. We have spoken with the subcontractor and will pay the \$225. See Attachment 12 for copies of the invoices, cancelled check, attendance record and a Certificate of Completion for . . . The cancelled check for the last \$225 will be forwarded when it becomes available..

As for the \$95.40 in meeting expenses, these employees have to travel over 160 miles round trip and therefore these costs are allowable under OMB Circular A-122 Section 13 relating to employee morale and Section 29 cites allowable costs associated with the conduct of meetings and conferences to include the cost of meals. In addition, OMB Circular Section 55 on Travel Costs cites allowable costs of "subsistence, and related items incurred by employees who are in travel status on official business of the organization."